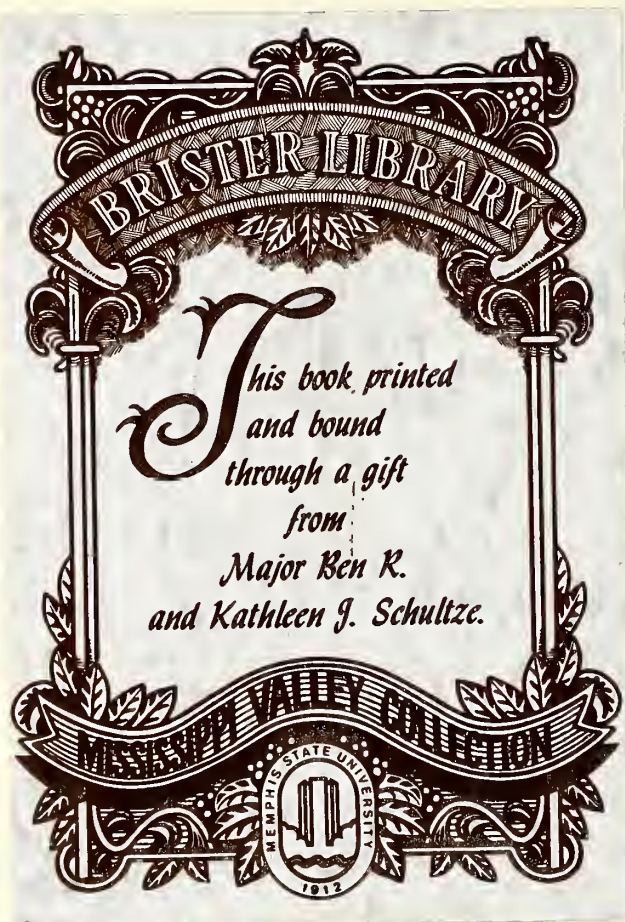


ORAL HISTORY OF THE TENNESSEE VALLEY AUTHORITY
INTERVIEWS WITH
KENNETH D. HATCHER

BY - CHARLES W. CRAWFORD
TRANSCRIBER - BETTY WILLIAMS
ORAL HISTORY RESEARCH OFFICE
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ORAL HISTORY OF THE TENNESSEE VALLEY AUTHORITY

INTERVIEWS WITH KENNETH D. HATCHER

AUGUST 5, 1974

BY CHARLES W. CRAWFORD

TRANSCRIBER - BETTY WILLIAMS

ORAL HISTORY RESEARCH OFFICE

MEMPHIS STATE UNIVERSITY

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PLACE

August 5, 1974

DATE

Knoxville, Tennessee

R D Hatcher

(Interviewee)

Charles W. Crawford

(For the Mississippi Valley Archives
of the John Willard Brister Library
of Memphis State University)

THIS THE ORAL HISTORY RESEARCH OFFICE OF MEMPHIS STATE UNIVERSITY. THIS PROJECT IS "AN ORAL HISTORY OF THE TENNESSEE VALLEY AUTHORITY." THE PLACE IS KNOXVILLE, TENNESSEE. THE DATE IS AUGUST 5, 1974. THE INTERVIEW IS WITH MR. KENNETH D. HATCHER FORMERLY OF THE TENNESSEE VALLEY AUTHORITY. THE INTERVIEW IS BY DR. CHARLES W. CRAWFORD, DIRECTOR OF THE MEMPHIS STATE ORAL HISTORY RESEARCH OFFICE. TRANSCRIBED BY BETTY WILLIAMS. INTERVIEW #1.

DR. CRAWFORD: Mr. Hatcher, I suggest we start by getting some background of a biographical nature about you. you might, as far as you care to and in as much detail, give some information about your life from the time that you were born to the time that you became associated with TVA in 1941. You might start with something about your time and place of birth and your family and go through education and experience prior to 1941.

MR. HATCHER: I was born in 1914 in Jefferson County, Tennessee, which is the adjacent county to Knox County. My parents were George Bert Hatcher and Sally Thrasher Hatcher. When I was slightly less than three, my family moved to Knoxville and I was educated in Knoxville public school system, graduating from old Knoxville High School in 1931. My boyhood ambition had been to be a civil engineer. Graduating though at the height of the Great Depression, this

ambition was somewhat thwarted. Immediately upon graduation I entered a business college here in Knoxville and graduating from that I found employment at a large knitting mill in Knoxville and worked in the office there for nine and one half years, rising to a position where I scheduled production and assisted in tracing orders from custom made knit goods through the manufacturing process. I came to work for TVA in October of 1941 in a clerical position. In June 1942, I left TVA temporarily to go into military service. I served in the Army Finance Corps during World War II from June, 1942, through February of 1946.

Returning to Knoxville in 1946, I resumed my TVA employment in the Division of Finance and worked in a salaried position as clerk until September of that year when I entered the University of Tennessee, matriculating in the College of Business Administration, from which I graduated in the Class of 1949 with highest honors. I resumed my employment in the Internal Audit Section of the Finance Division of TVA in January of 1950. My work in the Internal Audit Section continued for some five years. In November of 1954, I was transferred to the Plant Accounting Branch of the Division of Finance which is located in Chattanooga. I was employed there for some five years, returning in November of 1959 to Knoxville where I was a staff accountant on the Comptroller's Staff. After about two years I was named Assistant to the Comptroller for Technical Matters. This work included the responsibility for account classifications, accounting



reports, and accounting procedures for the division. I remained in this position until April of 1971 when I became Comptroller. I remained in that position until my retirement in April of 1974.

From this background it is apparent that my decision-making role was in the Division of Finance in TVA were somewhat delayed until perhaps 1956 and thereafter when I had any part in management decisions and fiscal policy.

DR. CRAWFORD: Let's get a little more information of a background nature. What sort of experience did you get, Mr. Hatcher, in the Army Finance Corps?

MR. HATCHER: I attended the basic enlisted men's training at Fort Benjamin Harrison. I had the regular enlisted man's Army Finance work there and upon completion of that in September of 1942 I was transferred to the Second Armored Division which happened to be at Fort Bragg, North Carolina, at that particular time. Joining them there I was with the Second Armored until it departed for overseas duty. Because of my extreme myopia (nearsightedness) I was not permitted to go overseas, but remained at Fort Bragg and was assigned to the Post Finance Office at Fort Bragg. In April of 1943 I was sent to the Advanced Army Finance School at Wake Forest College. I completed that thirteen-week course of Advanced Army Finance School and returned to the Post Finance Office at Fort Bragg. I rose to the rank of Staff Sergeant there and was in charge of the Auditing Section of the Post Finance duties. It was my duty to be responsible for the

section that examined prior to payment all voucher disbursements and to approve those vouchers before the check for their payment were written.

DR. CRAWFORD: Why, before that time, had you decided to leave private employment and join TVA?

MR. HATCHER: Since I was a native East Tennessean and here at the very beginning of TVA I had always had a very healthy curiosity about TVA and an interest in what it was doing. I came from a long line of rather independent East Tennessee Republican stock and there was some disagreement, I think, with the concept which a Democratic administration had followed in setting up an organization which was in some opinions in conflict with private enterprise. I guess more than any other reason for me seeking employment in TVA was to improve my own position financially. It is quite trite and common to talk about how the salary levels were during the Depression but the \$105.00 a month's salary when I had begun employment with TVA was quite a bit more than the salary that I was receiving after 9 1/2 years at the large textile manufacturing company that I had mentioned earlier.

DR. CRAWFORD: In 1941 that was a very respectable wage.

MR. HATCHER: (Laughter) Yes, it was.

DR. CRAWFORD: How much work did you have time to do with TVA before you left for military service?



MR. HATCHER: My work was almost entirely clerical work. I begun as a underfile clerk in Payroll Audit Section of the Division of Finance. For about the first three months I worked entirely in the employment files--individual file folders being set up for each individual employee in TVA. Incidentally, this was the period of TVA's highest employment. At one time during this period some 40,000 employees were employed at TVA. For payroll loaded purposes these files were maintained for each of these employees and my early duties at TVA was to be one of those that maintained those files. I was promoted from that file unit to what was called the Addressograph Unit. Metal embossed plates were prepared containing the information for preparing payrolls. These embossed tapes served as an audit base for verifying the accuracy of rolls. Information once embossed did not have to be repeatedly checked. But each week as long as that information was not changed by a transaction form the embossed information was accepted as having been verified previously for audit purposes.

DR. CRAWFORD: Then when you had changes you had to reemboss?

MR. HATCHER: This is correct. Then the changes then were again audited and verified and once having been verified that process did not have to be repeated as long as the information did not change again.

DR. CRAWFORD: How many months were you with TVA before you left for the service?

MR. HATCHER: About seven and a half I believe.

DR. CRAWFORD: Did you at any time have any doubts about returning to TVA after the war was over?

MR. HATCHER: I think not. I did give some thought during my time in the service to acquiring a college education. I had given considerable thought to how I might do this and at the same time continue my employment with TVA. But I think I always even when I returned to college--while I was going to college--I don't think there was a great deal of doubt in my mind that I wanted to return to TVA employment after I had gotten my college education.

DR. CRAWFORD: Did you leave TVA employment when you went to the University of Tennessee?

MR. HATCHER: I continued to work on a part-time basis for TVA on an hourly basis until the budget crisis of June, 1948. At that time I was terminated for a period of about six months and I was reemployed on an hourly basis in January, 1949. Although the number of hours employment were much fewer from that time on I did remain on the hourly payroll until I came back to the annual position in January, 1950.

DR. CRAWFORD: You mentioned the large number of employees in 1941 and 1942. Was that because of the rush construction job?

MR. HATCHER: Yes, it was. I don't recall the exact

breakdown of the number of hourly and the number of annual employees at this time, but I can say fairly, I think, that a large majority of those 40,000 employees were hourly construction employees. TVA did have a crash construction program at that time to produce the generating capacity to produce the aluminum that was sorely needed in the war efforts.

DR. CRAWFORD: Do you know when that program had started? Was it before December of 1941?

MR. HATCHER: Yes, there was a beginning of the set up of generating capacity construction which dated back, I suppose, to some time in 1939. The critical shortage of electrical energy that was needed for an all out war effort was foreseen by many people both in and out of TVA. The need of larger generating capacity was anticipated and some effort had been stepped up. There was a critical change of course, when our country actually declared war in December of 1941, but some of the projects which politically had been delayed were immediately opened up in December of 1941. Notably, the Douglas Dam project.

DR. CRAWFORD: So you entered TVA at a very busy time?

MR. HATCHER: That's correct.

DR. CRAWFORD: Did you do your work at the University of Tennessee then with the intention of returning to TVA?

MR. HATCHER: Yes, I don't believe that the thought of permanently leaving TVA was ever

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seriously entertained.

DR. CRAWFORD: Did you make any great changes in your life when you went back to school? Did you live at the same place you were already living in Knoxville?

MR. HATCHER: This is correct. I might say parenthetically that my wife made considerable economic sacrifices in order that I could go back to college, and without the GI Bill of Rights which permitted full scholarship payment I doubt that I ever would have had an opportunity for a college education.

DR. CRAWFORD: I think the value of that bill has certainly been proven. I am sure they have recovered more than the cost of it in increased taxes--paid by people such as yourself through earnings that have vastly increased as a result of it.

MR. HATCHER: There is no doubt in my mind that the educational benefits of the popularly called GI Bill of Rights was the greatest benefit veterans derived from the GI Bill.

DR. CRAWFORD: Your part-time work for TVA was done at night I suppose or when it didn't interfere with classes?

MR. HATCHER: I was able to schedule my classes so that I could either work for TVA during the morning hours from 8 to 12 or work during the afternoon hours from 12 to 4:45.

DR. CRAWFORD: You still graduated rather quickly I believe, from about 1946 to '49, wasn't it?

MR. HATCHER: Yes, I was able to have credited some of the hours I had attended the advanced Army Finance School at Wake Forest College and I also by pre-entrance examinations was exempted and received credits for some courses--freshman English composition being one of them.

DR. CRAWFORD: So you were able to complete your education in fairly quick order and get back to TVA. What was the budget crisis of June, 1948, Mr. Hatcher?

MR. HATCHER: I am not sure that I am aware of all the aspects of that budget crisis, but 1948, as you will remember, was an election year and there was quite a demand that the large governmental expenditures which had been brought about by the war effort should be drastically reduced and President Truman moved to drastically reduce the government expenditures. TVA's appropriations budget was reduced drastically. I don't know the figures, but a great many of TVA employees found themselves in the reduction of force at that time. Indeed, all temporary or part-time employees were eliminated from the payroll in TVA at that time.

DR. CRAWFORD: That was one of the ways of economizing.

MR. HATCHER: This is true.

DR. CRAWFORD: When did this reduction in force end?

MR. HATCHER: At June 3rd, 1948, it was implemented



and continued on for possibly several fiscal years. Indeed, I was one of the few of those who returned later to TVA employment. Most of those persons who left TVA employment never returned to TVA employment.

DR. CRAWFORD: Did you leave the TVA's employment roll when you went back to school? You were not carried as an employee during that time?

MR. HATCHER: Yes, I was carried as a temporary, part-time hourly employee.

DR. CRAWFORD: Did you have the understanding that you would return to TVA?

MR. HATCHER: There was no definite commitment either on my part or on the part of TVA that I would return. There was an implicit understanding I think, both on my part and then the part of my supervisors in TVA, that if conditions permitted and vacancies existed that I certainly would be given top consideration for those vacancies.

DR. CRAWFORD: It is fortunate then that the budget crisis had started fading by that time.

MR. HATCHER: It was indeed. There was a little anxiety on my part though. I graduated in December of 1949 and it was some time toward the end of January before I was assured that I would have TVA employment and it came about through the resignation of one of the employees in the Internal Audit Section which created the vacancy. Had that vacancy not been created I might have had further delay in my coming back to TVA.

DR. CRAWFORD: As it was, you were able to start promptly.

MR. HATCHER: Yes, after only about three weeks of idleness. That was in December and that was a welcome vacation.

DR. CRAWFORD: I would think after having gone through the war and your degree that you didn't mind a vacation. What were your duties when you returned to TVA in the Internal Audit Section of the Finance Department?

MR. HATCHER: I operated very much as a junior accountant would in a public accounting firm. I did routine audits of payroll operations and vouchering operations and account classification coding and things of that sort for a period of perhaps a year. Then my responsibilities were increased and I became responsible for developing audit programs for various transactions. Then after about another six months I was responsible for the work some four to six auditors working underneath me and was in charge of field site audits of construction activities in various TVA program operations.

DR. CRAWFORD: Did you travel much for the field type audits?

MR. HATCHER: Yes, at least 75% of the time I would estimate was spent traveling outside my official station which was Knoxville.

DR. CRAWFORD: You went to the dam and by that time, I guess, the steam plant construction

sites, didn't you?

MR. HATCHER: That is right. Johnsonville Steam Plant, TVA's first large steam plant, was well under way in construction in 1950 and several other large projects were in various stages of construction. The Shawnee Steam Plant was just beginning to be started. Widow's Creek Steam Plant was not far behind and it was TVA's fiscal policy at that time to establish an accounting office at each of the major construction projects--a policy which has since been changed.

DR. CRAWFORD: You visited the accounting office on the site then?

MR. HATCHER: That is correct.

DR. CRAWFORD: Were your trips scheduled or announced?

MR. HATCHER: They were scheduled, but the schedule was that an internal audit record was not announced to the audit offices which were to be visited. The audit visits to those offices were unannounced.

DR. CRAWFORD: How long did you usually stay when you were on a field trip?

MR. HATCHER: This depended upon the volume of the transactions of that particular accounting office. The large construction projects such as a major steam plant usually required a team of four to five auditors and a period of three to four weeks.

DR. CRAWFORD: Did you return to Knoxville on week-ends?

MR. HATCHER: That changed back and forth, depending upon the distance from Knoxville. If we were within a hundred and twenty to hundred and fifty miles we would return on week-ends. At distances greater than that from Knoxville, the economics of travel required that we would remain at our audit sites over the week-end. We returned only at the completion of the project.

DR. CRAWFORD: Who was in charge of the Finance Department when you went there?

MR. HATCHER: Mr. Arnold Sunstrom was the comptroller at the time. I came in '41 and he continued as Comptroller until after I had returned in the Internal Audit Section in 1950. He left sometime in 1951 and was succeeded by Mr. Gilford Cruze whom I succeeded as Comptroller.

DR. CRAWFORD: Did your construction program start slowing down in the fifties and you had to make fewer of these trips after a while?

MR. HATCHER: Well, it is hard for me to put a date on that. Actually I was transferred from the Internal Audit Section to the Planned Accounting Branch in the latter part of 1954. The construction program is still going along at a pretty good clip at that time. Quite a backlog had accumulated in the Planned Accounting Branch there. One of the principal functions of Planned Accounting Branch is converting the construction accounting records into units of property for continuing plant purposes.

Some of the steam plant projects which had been completed, such as Johnsonville, Shawnee, and Widow's Creek presented a tremendous backlog of unitization work for the Planned Accounting Branch, especially since they had had very little experience in dealing with machinery of the size that these new plants incorporated.

DR. CRAWFORD: How did you handle that matter?

MR. HATCHER: I'm afraid that it would be erroneous to say that I personally handled it. I assisted the chief of the Planned Accounting Branch and more in the routine accounting procedures of that branch, I think, freeing his time up somewhat so that he could work with the engineering units of the branch to make some progress on the unitization backlog. The matter of the delineating the property units and the retirement units that went into those property units and the significance of major and minor items that composed the property units was largely an engineering matter and it was done in cooperation with the engineering units of the Office of Power after considerable discussion with the Federal Power Commission and private companies who had had some work in this area.

DR. CRAWFORD: Why had a backlog accumulated?

MR. HATCHER: Well, I think it was due largely to the crash construction program. You must recall that early in the fifties we were in the Korean Conflict and the insatiable appetite for electric energy was

still not satisfied. I think it is interesting that there is some correspondence in the Division of Finance files from some of the earlier comptrollers dated somewhere about 1947 which envisioned the end of TVA's construction program because we had now reached what was believed to be an operating level. Our accounting thrust very shortly changed from largely construction oriented matter of accounting to an operating oriented phase of accounting. This of course, had some significance in our depreciation policies. I think it is interesting that these managers thought that we had reached a somewhat status quo. In fact, the opposite was true. In the early fifties our construction again took off on a rising curve and the demand for electrical energy is still [high and] has not been satisfied in 1974. I believe it is valid to say that we now have under construction in TVA larger number of kilowatts of power capacity than at any time during TVA's earlier history with the nuclear plants.

DR. CRAWFORD: Well, haven't many of the estimates consistently been low about TVA's growth?

MR. HATCHER: This is correct. TVA's estimates of growth were at first derided by a number of private power people as being unreasonably high, but in fact TVA's estimates have turned out to be short of what the actual demand was.

DR. CRAWFORD: I think that has been true all the way through from the 1930's.

MR. HATCHER: I think that is right. But the criticism hasn't completely subsided. Even today there are those advocates who say that the electrical energy demand is subsiding and particularly with respect to the environmental concerns we have today that the electrical energy consumption will be reduced and that we in fact could start cutting back on our generating capacities--construction of larger generating capacities could be curtailed. Perhaps there is some validity in this. But certainly TVA's experience in history would indicate that the demand for electrical energy will continue to grow.

DR. CRAWFORD: Well, certainly from the beginning to the present time the demand for electrical power has steadily increased in the TVA area. If a change is due it hasn't appeared yet.

MR. HATCHER: This is correct. I believe that there have been some declines in the rate of growth. Growth is continuing as it is in electric utilities throughout the country. TVA is not unique in this growth although TVA's growth rates are probably higher than the average growth rate.

DR. CRAWFORD: You had a major change in your career in, I believe, 1954. This was the one that involved your leaving Knoxville and moving to Chattanooga. How did that happen? Why did you take that position?

MR. HATCHER: This was a promotion. I believe I have mentioned earlier that I estimated that

I was away from home about 75% of the time. Most of us grow tired when we are away from home and traveling after some period of time. It was the desire to spend my nights at home that lead me to seek a different employment than the Division of Finance. Of course, I had some ambition of progressing in the Division and this was a promotion. I was named the assistant to the Chief of the Planned Accounting Branch when I made that move to Chattanooga.

DR. CRAWFORD: Who was the Chief of the Branch?

MR. HATCHER: Mr. Lester L. Laughlin.

DR. CRAWFORD: What were the duties of the Planned Accounting Branch?

MR. HATCHER: The Planned Accounting Branch as I indicated summarily earlier converted the construction accounting records to continuing units of property. These records served as a basis for depreciation purposes and the Planned Accounting Branch maintained the depreciation analysis ledgers and prepared the monthly journal entries which recorded the depreciation to be charged to each of TVA's various programs. When units of property were changed those continuing unit records determined whether the change would qualify the plant change. That is, whether there would be an addition to plant or retirement from plant or whether the change would simply be recorded as a maintenance expense.

DR. CRAWFORD: So you had to convert what you had on a temporary basis during construction to a permanent situation.

MR. HATCHER: This is correct. Practically all the transactions which took place during construction period were capitalized--they were included as a part of cost of the plant. But once the plant went into commercial operation, depreciation started and changes in the plant from that time forward had to be examined to see actually whether they were maintenance expenses or whether they did qualify for plant changes.

DR. CRAWFORD: What guidelines did you have to follow in making those determinations?

MR. HATCHER: The Federal Power Commission of course, has issued a uniform system of accounts for electric utilities and those set forth some guidelines that can be followed. These were expanded upon somewhat in TVA's actual practice. More detail was found in TVA's plant records than was actually required for Federal Power Commission purposes.

DR. CRAWFORD: Was TVA in any way under the control for reporting purposes of the Federal Power Commission?

MR. HATCHER: No, not actually under their control.

The TVA Act requires that TVA shall account for its power activities in accordance with an accounting system if such a system is prepared by the Federal Power System. At the time that the TVA Act was written there was no such system. The system was propagated in 1936. TVA is responsible that its power accounts conform to that system,

but the Federal Power Commission has no enforcement powers to see that TVA accounts do.

DR. CRAWFORD: Do you consider that system adequate for TVA?

MR. HATCHER: Well, actually no. Further detail is required beyond what that system required to be effectively a management tool. TVA's accounts are actually in much greater detail than those actually required by the Federal Power Commission in uniform system.

DR. CRAWFORD: Why are TVA's records kept in more detail?

MR. HATCHER: To give the information for operating and management purposes so that cost controls can be more closely followed and corrective actions taken.

DR. CRAWFORD: Where did you maintain these records in Chattanooga or in Knoxville?

MR. HATCHER: The Planned Accounting records are maintained in Chattanooga. The operating records--incidentally the power operating records are also maintained in Chattanooga in the Power Accounting Branch located in that city.

DR. CRAWFORD: Did you find it any inconvenient to have part of your administrative structure in Chattanooga and the other part in Knoxville?

MR. HATCHER: Of course, there are some inconveniences when your administrative structure is



scattered geographically. However, I think that TVA's experience has confirmed that to locate these detailed accounting records at the seat of operation where the managers of the operating programs are located does tend to serve the purpose of giving those operating managers the detailed information on the work a more complete and on a prompter basis. It facilitates their use of those records. This is done not only in power, but also in our fertilizers and munitions operations and development in Wilson Dam, Alabama.

DR. CRAWFORD: How much did you have to travel in this work?

MR. HATCHER: Very little. I would guess less than 5% I have spent in travel

DR. CRAWFORD: That was a great improvement over 75%.

MR. HATCHER: Considerable improvement as far as my personal convenience was concerned.
(Laughter)

DR. CRAWFORD: Had you sold your home in Knoxville when you moved then?

MR. HATCHER: Actually, I did not own property in Knoxville prior to the time I moved there. I had rented. I acquired my first residence in Chattanooga.

DR. CRAWFORD: Did you have any idea how long you would stay in Chattanooga when you went there?

MR. HATCHER: No.

DR. CRAWFORD: Well, you remained there, I believe, until, was it 1959?

MR. HATCHER: Yes, the latter part of 1959, in November, I believe, of '59. And I might say that my leaving was quite a surprise to me. I had not anticipated returning to Knoxville and when the Comptroller apprised me of the fact that he'd like for me to return to Knoxville to be a part of his staff I was quite surprised.

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DR. CRAWFORD: Mr. Hatcher, let's deal with the period of employment after you returned to Knoxville from Chattanooga. You were an assistant to the Chief, I believe.

MR. HATCHER: For about the first two years after I returned to Knoxville I was classified as a staff accountant on the Comptroller's staff. I worked with the three sections of the comptroller's staff--the reports section, account classification staff--and the accounting procedures staff during that period, orienting myself and learning about the operations of those three staffs. After two years I became an assistant to the Comptroller and responsible for the work of those three staffs.

DR. CRAWFORD: Why were you asked to return to Knoxville to work with the Comptroller?

MR. HATCHER: I think the Comptroller had been impressed with my academic record perhaps and apparently he was also satisfied with my progress and my work

with TVA at that point.

DR. CRAWFORD: Who was the Comptroller at the time you returned?

MR. HATCHER: Mr. Gifford Cruze, C-R-U-Z-E.

DR. CRAWFORD: How did your work differ after your return to Knoxville from Chattanooga?

MR. HATCHER: Well, it was quite different. The work in Chattanooga was related to only one aspect of TVA accounting and that being accounting for fixed assets or plant. On the other hand when I returned to Knoxville the work embodied all of TVA's operations and all its programs and all of the financial transactions that went into the operating TVA and the accounting for those transactions.

DR. CRAWFORD: TVA was issuing bonds, I believe, by that time, wasn't it?

MR. HATCHER: It was beginning to get into the issuance of bonds. The first bond issue was actually in 1961. Quite a bit of my early work as a staff accountant had to do with reviewing our early drafts of prospectuses as they are called in TVA, official statements for the initial issuance of TVA power bonds.

DR. CRAWFORD: Did you work with the first bond issue that TVA had?

MR. HATCHER: Yes, I did.

DR. CRAWFORD: What was the budgetary situation when you returned in 1959? I believe that was one of the later years of the Eisenhower Administration.

MR. HATCHER: That is correct. The '59 fiscal year budget would have been prepared under the Eisenhower administration. I'll improve the record at this point. I believe that we were being restricted as to our capital expenditures by the Eisenhower administration for some time prior to this time even. [This was] policy which was referred to as the "No New Start" policy which had been implemented in TVA by no appropriations being made for new projects. TVA had been able to add generating units at existing projects, but largely with money which had been internally generated within TVA rather than through appropriations.

DR. CRAWFORD: How had the money been internally generated?

MR. HATCHER: Through the sale of electrical energy-- power revenues.

DR. CRAWFORD: Your charges for power were still relatively low, but you did make enough to add units to existing sites for power?

MR. HATCHER: Yes, TVA had had a policy of a return on the investment in the power program at a level of about 4%. That is not to say that level had been achieved in all the years, but that was the goal. That return, although at the low level of something shortly under 4%, plus the funds which were provided through depreciation charges made a cash resource available for investment in capital improvements which was significant.

DR. CRAWFORD: So that accounted for your building during the late fifties?

MR. HATCHER: Correct. Quite a bit of our building during those years, particularly with the additional units installed at existing projects, was financed through these internally generated monies.

DR. CRAWFORD: Did you deal with the Bureau of the Budget? Did you prepare any reports for them?

MR. HATCHER: Yes, some of our accounting reports were utilized for that purpose, although the direct contacts with the Bureau of the Budget, were made and continued through the Budget Office in the General Manager's Office.

DR. CRAWFORD: Was the Budget Office separated from the Comptroller at that time?

MR. HATCHER: Yes, it was.

DR. CRAWFORD: When had that happened?

MR. HATCHER: This occurred, I believe, in 1937 when the reorganization took place in TVA.

In the early years the three directors of TVA took a direct involvement in the administration of TVA's various programs. Mr. Lilienthal, for example, was directly involved in the operation of the power program. Dr. Arthur Morgan was very much involved in the engineering and construction aspect of TVA's early activities. Dr. Harcourt Morgan was very much interested in the agricultural and conservation programs of TVA.

This direct involvement created some difficulties. About 1937 the reorganization took place which left in the Board of Directors a policy-making capacity, but set up in the creation of the General Manager's Office the chief administrative role in TVA. The implementation policy adopted by the directors then was carried out through the General Manager's Office from that time forward.

At the time of that reorganization, the budget activities was transferred from the Division of Finance to the General Manager's Office in recognition of the very important management tool that budgeting provided.

DR. CRAWFORD: How were relations managed between the Budget Department and the General Manager's Office and the Comptroller's Office.

MR. HATCHER: Well, of course, this is a very vital area for close relationships. The accounting classification is very closely followed--the classifications which were used for budgeting purposes. A very close informal relationship had existed from the very beginning between the Budget Office and the General Manager's Office and the Division of Finance. Almost daily formal discussions were held between various parts of these two units in the division.

DR. CRAWFORD: Were both headquartered in the New Sprankle Building?

MR. HATCHER: No. The Division of Finance in Knoxville was actually located in the old post

office building from almost TVA's inception. The budget activities, while the Budget Office was a part of the Division of Finance, were located in that same building. When they became a part of the General Manager's Office, they were moved to the New Sprinkle Building--the budget activities, I mean.

DR. CRAWFORD: Did the volume of your work vary throughout the year?

MR. HATCHER: It was fairly uniform except at the end of the fiscal year there was a flurry, especially in reporting activities. The months of July and August perhaps had a busier requirement of work than did the other months.

DR. CRAWFORD: What budget fluctuations did you have through the 1960s? Did your budgets generally increase during that time?

MR. HATCHER: When you speak of budgets, I think you have to remember that TVA really had three budgets--an appropriation budget, that is for monies to be appropriated by Congress--a power revenue budget and that is for the monies which were generated by the sales of electrical power--finally, there are some revenues generated by some other programs in TVA, principally from the sales of fertilizer produced in our Fertilizer Munitions Development Program. As a total of these three budgets, the budgets did increase from '61 through the sixties. I will have to refresh my memory exactly how the different segments of budget increased. I can say offhand that the power revenues budget increased successively

1870-1871. The first year of the war. The Union army was defeated at the Battle of Bull Run.

1872-1873. The second year of the war. The Union army was defeated at the Battle of Fredericksburg.

1874-1875. The third year of the war. The Union army was defeated at the Battle of Chancellorsville.

1876-1877. The fourth year of the war. The Union army was defeated at the Battle of Gettysburg.

1878-1879. The fifth year of the war. The Union army was defeated at the Battle of Vicksburg.

1880-1881. The sixth year of the war. The Union army was defeated at the Battle of Fort Fisher.

1882-1883. The seventh year of the war. The Union army was defeated at the Battle of Fort Mifflin.

1884-1885. The eighth year of the war. The Union army was defeated at the Battle of Fort Mifflin.

1886-1887. The ninth year of the war. The Union army was defeated at the Battle of Fort Mifflin.

1888-1889. The tenth year of the war. The Union army was defeated at the Battle of Fort Mifflin.

1890-1891. The eleventh year of the war. The Union army was defeated at the Battle of Fort Mifflin.

1892-1893. The twelfth year of the war. The Union army was defeated at the Battle of Fort Mifflin.

1894-1895. The thirteenth year of the war. The Union army was defeated at the Battle of Fort Mifflin.

1896-1897. The fourteenth year of the war. The Union army was defeated at the Battle of Fort Mifflin.

1898-1899. The fifteenth year of the war. The Union army was defeated at the Battle of Fort Mifflin.

1900-1901. The sixteenth year of the war. The Union army was defeated at the Battle of Fort Mifflin.

1902-1903. The seventeenth year of the war. The Union army was defeated at the Battle of Fort Mifflin.

1904-1905. The eighteenth year of the war. The Union army was defeated at the Battle of Fort Mifflin.

1906-1907. The nineteenth year of the war. The Union army was defeated at the Battle of Fort Mifflin.

1908-1909. The twentieth year of the war. The Union army was defeated at the Battle of Fort Mifflin.

1910-1911. The twenty-first year of the war. The Union army was defeated at the Battle of Fort Mifflin.

1912-1913. The twenty-second year of the war. The Union army was defeated at the Battle of Fort Mifflin.

1914-1915. The twenty-third year of the war. The Union army was defeated at the Battle of Fort Mifflin.

1916-1917. The twenty-fourth year of the war. The Union army was defeated at the Battle of Fort Mifflin.

1918-1919. The twenty-fifth year of the war. The Union army was defeated at the Battle of Fort Mifflin.

1920-1921. The twenty-sixth year of the war. The Union army was defeated at the Battle of Fort Mifflin.

throughout the sixties.

As to the non-power and appropriations budget, I would have to refresh my memory as to those, but I believe they continued at a somewhat stable level perhaps with small increases.

DR. CRAWFORD: What income did TVA have other than from the non-power budget or the agricultural fertilizer sales?

MR. HATCHER: Nothing of any real significance although there are some small revenues realized from the operation of the reservoir lands. For example, timber sales, licensing of tracts for agricultural purposes, and miscellaneous other sources that produce small revenues. By far the non-power revenues of any significance are those from sales of fertilizer.

DR. CRAWFORD: It's enough to require a good deal of bookkeeping, I suppose?

MR. HATCHER: Yes.

DR. CRAWFORD: Did fertilizer sales increase through this time?

MR. HATCHER: Again, I would have to refresh my memory. I believe my recollection would be that they remained fairly stable or perhaps declined somewhat during that period. TVA, as you know, in its production of fertilizer operates on an experimental basis. Once it develops a new fertilizer and that fertilizer is accepted on a national basis it pretty well becomes commercial and TVA drops out of the production of that particular fertilizer.

DR. CRAWFORD: Then they experiment with new ones?

MR. HATCHER: This is correct. TVA's development of ammonium nitrate fertilizers have perhaps been the most productive in terms of revenues from the sale of fertilizers. The ammonium nitrate fertilizers perhaps in the early sixties were increasing, but toward the latter part of the sixties it pretty well had been accepted and adopted by commercial fertilizer companies. My recollection would be that sales of fertilizers were declining somewhat in the latter part of the sixties particularly.

DR. CRAWFORD: Do you remember about the Congressional appropriation budget? Did that generally increase during the sixties?

MR. HATCHER: This is an area that I would want to refresh my memory before going on the record about. And I certainly will improve the record at this point. I believe that there might have been some small increases from the appropriation budgets, but they remained fairly stable throughout that period.

DR. CRAWFORD: I think with not a great deal of change through the sixties. Of course, in the 1960s we had the administrations of Presidents Kennedy, Johnson and Nixon. Do you have any impressions about the level of budget support for TVA under these various presidents? Not necessarily figures.

MR. HATCHER: Yes, I think I have already described the "No-Starts" policy of the Eisenhower

administration and certainly implied that there were some appropriation budget restrictions during that period. I believe that during the Kennedy administration that TVA's hopes were certainly stronger for a more liberal appropriation budget concept. I think TVA did venture into some new non-power programs coincident with the new Kennedy administration--some liberalized programs. I believe this continued on through the Johnson administration. In fact, I think it continued in the Nixon administration.

DR. CRAWFORD: Do you remember when you started the Land Between the Lakes area?

MR. HATCHER: I don't know whether I can exactly pinpoint the date. It was somewhere about '64 or '65 that work in this area was begun.

DR. CRAWFORD: Did it make a significant budgetary change in TVA?

MR. HATCHER: Yes, there was quite a large scale land acquisition program in connection with the Land Between the Lakes which was reminiscent of the early dam construction period of TVA when large land areas had to be acquired for reservoir purposes. I am sure that the novel Land Between the Lakes program did result in some small increases in the appropriation budget during the period of those acquisitions.

DR. CRAWFORD: Was there talk of any other projects similar to the Land Between the Lakes that you knew about?

MR. HATCHER: I don't know of any project which could be described as similar as the Land Between the Lakes. As a matter of fact, I don't know whether there is a project anywhere that could be described as similar to the Land Between the Lakes. Land Between the Lakes is a rather unique project!

DR. CRAWFORD: I don't know of any other at all. When you became Comptroller in 1971, did your work change in any way? I know you had been working closely with the office before.

MR. HATCHER: No, not a great deal. I think my decision-making role changed at that time. Before that time I had been able to pass that responsibility for making final decisions on to the Comptroller. After I became Comptroller, of course, it was my responsibility to make those final decisions.

DR. CRAWFORD: Now, people pass them on to you, I suppose? (Laughter)

MR. HATCHER: Yes, I have received quite a number of requests for decisions.

DR. CRAWFORD: Did you have equally good record-keeping and reporting from all the divisions of TVA?

MR. HATCHER: That's a hard question to answer. The answer of which would be somewhat subjective. I'll admit to bias before I state that I believe

that the records in our Planned Accounting Branch are perhaps more complete so that outside accountants could follow the records better than are the records kept in our other accounting offices. This is not to criticize the work in the other accounting offices because in relation to accounting records these items as observed in private enterprise I believe the records in the other accounting offices are fairly complete.

DR. CRAWFORD: Did you have uniform procedures throughout TVA?

MR. HATCHER: Not absolutely uniform, but consistent in principle and governed by accounting procedure staff and the accounting classification staff in the Comptroller's Office in Knoxville. The various accounting branches could modify to their own particular needs the principles which were followed for accounting.

DR. CRAWFORD: You had people auditing the records of all the branches, I suppose?

MR. HATCHER: TVA is probably one of the most audited agencies to be found anywhere in the federal government. We do have within TVA an internal revenue section which comprised some sixteen to twenty academically well qualified accountants who do site audits very comparable to the audit work performed by a public accountant firm. In addition to that audit TVA, since the enactment of Self-financing Amendment in 1959, has hired a firm of independent public accountants--a national firm--for annual audits not only its power activities but for all its program activities. It

has received annually a short form certificate as to the fairness of its records from that firm in addition to the national independent firm. The General Accounting Office conducts an annual examination of TVA's accounting records and produces a report thereof. So TVA does have quite a complete auditing review of all its activities.

DR. CRAWFORD: I suppose that none of these audit groups--the general accounting office or the private firms--have any difficulty following your records?

MR. HATCHER: No sir. Indeed, the general accounting office has been quite lavish in its praise of TVA's accounting records. The national firm has also been quite complimentary in its comments regarding the adequacy of TVA accounting records.

DR. CRAWFORD: What national firm have you used?

MR. HATCHER: The firm is now known as Cooper's and Lybrand. Prior to April of 1973 it was known as Lybrand, Ross, Brothers and Younger.

DR. CRAWFORD: Where is it headquartered?

MR. HATCHER: New York City.

DR. CRAWFORD: What did you do to maintain the quality of your staff? What sort of people did you tend to recruit?

MR. HATCHER: We have attempted to recruit largely through the Internal Audit Section that I mentioned before as a beginning ground. Young college graduates with a good academic background in accounting majors--good

performance in their academic records.

DR. CRAWFORD: Have you tried to recruit them from any particular schools or parts of the country?

MR. HATCHER: College recruitment is handled by TVA by the Division of Personnel and it has a college recruiting section. Their activities extend to colleges throughout the country. There has been some concentration in the Southeastern area, I think, and particularly in black colleges.

DR. CRAWFORD: Were you always satisfied with the personnel that they secured for you?

MR. HATCHER: Yes, I think it would be fair to say that they have done a good job in providing us with new qualified personnel.

DR. CRAWFORD: How large was the section when you became Comptroller?

MR. HATCHER: I believe there were eighteen persons in the section at the time when I took over. I'll verify that for the record.

DR. CRAWFORD: You knew all of them at that time, having worked with them?

MR. HATCHER: Some of the younger employees I had not actually worked with. I have tried to maintain at least an acquaintance with the internal audit section. As I have indicated since, we do use this as a recruiting area for key positions throughout the division. Of course, I have kept in touch somewhat with the performance of

the different individuals in that section through their supervisors.

DR. CRAWFORD: You were likely to know then who the capable workers were?

MR. HATCHER: Yes.

DR. CRAWFORD: The policy of TVA in filling key positions has usually been promotion from within rather than bringing in people from outside. Do you follow this policy?

MR. HATCHER: I can only speak for the Division of Finance with respect to that, but that has certainly been its policy.

DR. CRAWFORD: You have usually thus been able to have people in positions who understood the purposes of TVA and had been supporting them for a period of time. Did you feel that you had a good degree of support of TVA's philosophies in programs from your staff?

MR. HATCHER: I think the matter of support of TVA and its policy is perhaps secondary to the solid performance in accounting proficiency, but largely speaking our employees have supported TVA policy. We have had no notable divergence or dissidence to that policy.

DR. CRAWFORD: Have your staff members generally belonged to professional accounting associations and kept up with the profession?

MR. HATCHER: Our professional people have.

DR. CRAWFORD: Are they encouraged to do that?

MR. HATCHER: Yes, they are.

DR. CRAWFORD: Do they usually attend accounting meetings or conventions?

MR. HATCHER: Yes, particularly at the local chapter level.

DR. CRAWFORD: Did you encourage additional education and training for them?

MR. HATCHER: Yes.

DR. CRAWFORD: That would be reasonable considering your experience with the University of Tennessee. At the time of your retirement what impressions did you have of the effectiveness of TVA? I know many people doubted it at the beginning. And you indicated that you might have had some doubts at a very early period.

MR. HATCHER: Yes, I think the idea was quite strong in the early years that TVA was a temporary organization. By the time that I retired in 1974 however, all ideas about TVA being a temporary organization had been completely dispelled. TVA is almost universally accepted as a solid organization which is making a real contribution to the public interest.

DR. CRAWFORD: Of all the work you did for TVA, Mr. Hatcher, what did you find most interesting?

MR. HATCHER: Well, it might be somewhat anomalous in view of what I have already described as a desire to get out of the travel of the internal audit

section. I think I completely enjoyed my work in the internal audit section and my visits to the various accounting units throughout TVA probably as much as any work that I have actually done in TVA. I would very quickly add that I enjoyed all my work for TVA very, very much. I think if I had to single out one phase of it that I enjoyed the most it would probably be my internal audit work.

DR. CRAWFORD: What condition do you feel you had in the Comptroller's Office at the time you left? Are there any major programs or things that you hope to do that you still have under way?

MR. HATCHER: Yes, there are some reorganizations which are under way within the Division of Finance and outside the Division of Finance actually and involving other divisions which will have a significant effect upon the Division of Finance. These have been considered for some time and implementation has actually started on some of these steps. For example, the centralization of voucher preparation activities into the Division of Finance is now separated between the Division of Finance and the Division of Construction.

The examination of the possibility and feasibility of combining other areas of the Division of Construction accounting branch with the Division of Finance are under way. There is a strong possibility, I think it is fair to say, that the activities of the accounting branch in the Division of Construction might be transferred to the Division of Finance.

These are some of the things I had envisioned for some time which were in various stages of implementation as I left the Comptroller's Office.

My short tenure as Comptroller--almost exactly three years--was devoted to two things: One, was to establish a more aggressive concept in the Division of Finance and to create an organization which would exercise more initiative in furnishing information vitally needed by management in which perhaps has been abrogated by the Division of Finance to operating organizations.

The second was to bring along some young promising accountants in the division who could accept roles of leadership in bringing about the new, I hesitate to describe it as aggressive, who would take more initiative in the viable accounting activities of the division to produce more meaningful records for the operating managers.

DR. CRAWFORD: Do you feel you have made a start towards those goals?

MR. HATCHER: Yes, I do.

DR. CRAWFORD: I know you are not in touch directly, but do you feel that you have seen things developing after you left TVA?

MR. HATCHER: I think they are continuing to develop, yes. I have every hope and anticipation that they will continue.

DR. CRAWFORD: Is there anything else about your TVA experience that you would like to cover, Mr. Hatcher?

MR. HATCHER: I can't really think of anything right now, Dr. Crawford. I came to this meeting without any idea what our interview might cover. I hadn't given any thought what might be covered. I'd like to think about this a little. In my review if I find I have omitted anything, I'll certainly supply it for the record.

DR. CRAWFORD: That will be fine.

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